

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Southern California Edison Company's Application For Approval of Embedded Energy Efficiency Pilot Programs for 2007-2008.	Application 07-01-024 (Filed January 16, 2007)
Application of Pacific Gas and Electric Company Seeking Approval of Water-Embedded Energy Savings Pilot Program (U 39 M)	Application 07-01-026 (Filed January 16, 2007)
San Diego Gas & Electric Company (U 902-E) for Approval of Energy & Water Efficiency Partnership and Budget for Years 2007 Through 2008.	Application 07-01-029 (Filed January 16, 2007)
Southern California Gas Company (U-904-G) for Approval of Energy & Water Efficiency Partnership and Budget for Years 2007 Through 2008.	Application 07-01-030 (Filed January 16, 2007)

**REPLY COMMENTS OF
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
RE EMBEDDED ENERGY EFFICIENCY PROPOSALS**

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March 6, 2007

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I. INTRODUCTION

The Metropolitan Water District of Southern California ("Metropolitan") is pleased to submit Reply Comments in support of the submitted Applications for Approval of Embedded Energy Efficiency Pilot Programs for 2007-2008 in accordance with Rule 2.6 of the California Public Utilities Commission ("CPUC" or "Commission") Rules of Practice and Procedure. In particular, Metropolitan is proud to have been selected as the partner of Southern California Edison Company ("SCE") and Southern California Gas Company ("SoCalGas") in their respective pilot water/energy efficiency program pilots.

Metropolitan is a quasi-municipal corporation, whose primary purpose is to provide supplemental water supplies for domestic and municipal uses in an environmentally and responsible manner. It is the largest wholesale water supplier in southern California, delivering supplemental water supplies to its 26 member agencies and their 18 million consumers within the six county region of southern California (Los Angeles, Orange, Riverside, Ventura, San Diego, and San Bernardino), an intensely populated area covering nearly 5,200 square miles.¹ During a normal year, the District daily moves more than 1700 millions of gallons of water through its distribution system. On a combined basis, Metropolitan's members, their constituent agencies and retail customers account for roughly 50% of all urban water used in California.²

Metropolitan draws its primary water supplies through two large water conveyance systems: the Colorado River Aqueduct ("CRA"), which Metropolitan owns and operates, and the State Water Project ("SWP"), owned and operated by the California Department of Water Resources. Importing this water requires over 5,000 gigawatt-hours annually, representing 2-3% of the State of California's total energy requirement.³

¹ Metropolitan's 26 member agencies include cities and water districts; some water districts are themselves wholesalers. Metropolitan's members include: the cities of Anaheim, Beverly Hills, Burbank, Compton, Fullerton, Glendale, Long Beach, Los Angeles, Pasadena, San Fernando, San Marino, Santa Ana, Santa Monica, and Torrance; Calleguas Municipal Water District, Central Basin Municipal Water District, Eastern Municipal Water District, Foothill Municipal Water District, Inland Empire Municipal Water District, Las Virgenes Municipal Water District, Municipal Water District of Orange County, San Diego County Water Authority, Three Valleys Municipal Water District, Upper San Gabriel Valley Municipal Water District, West Basin Municipal Water District, and Western Municipal Water District of Riverside County.

² According to the California Water Plan Update 2005, 8.6 million acre-feet of water was used in the urban sector in 2001. Metropolitan's 2005 Regional Urban Water Management Plan identified use of roughly 4.15 million acre-feet of water within its service area.

³ The significance of this figure is underscored by the fact that California's economy is the sixth largest in the world.

Indeed, as the largest and last contractor for delivery of SWP water, Metropolitan pays 70% of SWP power costs.

Metropolitan also owns and operates five water filtration plants of which three are within SCE's service area, as is Metropolitan's sole pumping facility on its water distribution network. Many of Metropolitan's member agencies also own and operate water treatment plants within SCE's service area.

To conserve water and energy, Metropolitan conducts a robust conservation program that is intended to achieve conservation of 1.1 million acre-feet of water per year by 2025.⁴ Metropolitan collects a "Water Stewardship Rate" of \$25.00 per acre-foot on all water delivered to its members to support conservation, water recycling, and other local supply programs. In 2006, the Water Stewardship Rate exceeded 5.5% of Metropolitan's standard volumetric rate for water. Of this amount and in that year, conservation incentives and related activities accounted for about 35% of the funds collected in the Water Stewardship Rate.⁵ This expenditure is equivalent to 2% of Metropolitan's standard volumetric rate. Although the total dollars invested in water conservation by California's water utility industry lags considerably behind California energy Investor Owned-Utilities' (IOU) expenditures for energy efficiency, as a percentage of its utility rate Metropolitan's 2% compares favorably to Public Goods

⁴ The amount of water anticipated to be conserved compared to a projection of water consumption in the absence of water conservation programs and new laws or ordinances, using 1980 as a base year.

⁵ The balance of the Water Stewardship Rate funds local water projects that, among other things, reduce the demand for additional imported water.

Charge funds collected by the energy IOUs and applied to energy efficiency and demand response.⁶

Given its size, Metropolitan indisputably meets the description of the intended pilot program partner identified in the Assigned Commissioner's Ruling on the Process Related to the Consideration of Embedded Energy Savings Related to Water Efficiency ("ACR") where, among other things, utilities were directed to file applications for one-year jointly funded pilot partnership programs with a large water provider. Furthermore, Metropolitan's existing conservation programs facilitated the utilities' ability to provide information concerning the proposed programs that was important to their ability to submit applications within the relatively short period of time allowed under the ACR.

Metropolitan urges rejection of the submitted Protests of the Division of Ratepayer Advocates ("DRA") and The Utility Reform Network ("TURN"). As explained below, the Applications advance the detailed description of Pilot Program objectives recently confirmed in the Assigned Commissioner and Administrative Law Judge's Ruling Discussing Pilot Program Objectives, Setting a Schedule for Initial Workshops, and Denying Motions Related to pre-Approval Expenditures ("AC/ALJ Ruling") issued February 15, 2007. For brevity, Metropolitan's Comments focus on the programs in which it has been selected as a program partner.

⁶ During fiscal year 2006, Metropolitan invested \$17 million in conservation incentives. This amount was about 2% of Metropolitan's wholesale ("Full Service Treated Volumetric Rate, Tier 1) rate. *See* Metropolitan's February 2007 submittal to the Legislature entitled "Achievements in Conservation, Recycling and Groundwater Recovery."

II. THE APPLICATIONS SATISFY PILOT PROGRAM OBJECTIVES

A. The Pilot Programs Reduce Water/Energy Consumption in a Cost-Effective Manner

Metropolitan is proposed as a program partner in SCE's Low-Income Direct Install High Efficiency Toilets Program, and in SCE's Express Water Efficiency and Green Schools/Green Campus with Water Efficiency Programs.⁷ SoCalGas proposes to partner with Metropolitan in a Low-Income Multi-Family High Efficiency Toilet Replacement Program, and a Joint Marketing and Outreach Pilot Program. Each of these programs is discussed below.

The high efficiency toilets replacement programs sponsored by SCE and SoCalGas would feature direct contractor installation of High Efficiency Toilets ("HETs"), which only need 1.0 to 1.3 gallons per flush as opposed to the Ultra Low-Flush toilets typically sold, which require 1.6 gallons per flush. These proposed pilot programs are cost-efficient because Metropolitan is going to fund more than half the cost of procurement and installation, in addition to providing administrative program oversight. Furthermore, implementation of HET replacement programs will offer alternative ways of measuring program success, either through an estimate of energy savings over the projected HET life cycle or through use of retail water meter reads at the locations where they are installed.

Once the location where the HETs are installed is known, Metropolitan can determine the avoided source of water that would have been otherwise been obtained. With identification of the avoided water supply, Metropolitan can establish the energy

⁷ The latter program would provide target installation of HETs in low-income areas. SCE proposes to expand its existing arrangement with Alliance to Save Energy to include water as well as energy conservation information and services.

requirements associated with that source. These will vary throughout Metropolitan's service area, as the avoided water source will differ by member agency, but can be determined during the Energy Measurement and Verification ("EM&V") period proposed in the Applications.

For purposes of pilot program approval, Metropolitan believes it is prudent to rely upon the preliminary water /energy savings estimates identified in the California Energy Commission's recent publication "Refining Estimates of Water-Related Energy Use in California" (December 2006).⁸ Metropolitan urges the Commission to reject the recommendation of DRA and TURN to delay pilot program approval until more detailed water/energy figures are obtained, as they may not be obtained without these programs. Even if other water/energy programs were subsequently developed and funded elsewhere, any results obtained therefrom would be developed far too late to inform the selection of utility energy efficiency programs in the 2009-2011 energy efficiency program cycle, which Metropolitan understood to be a fundamental purpose of the pilot programs.

Similarly, the water savings resulting from SCE's Express Water Efficiency Program, which will facilitate promotion of advanced PH controllers for cooling towers used and Weather-Based Irrigation Controllers, can be determined either based upon estimates or retail meter readings. Metropolitan will be able to identify the avoided water source, and its associated energy requirements, once the controllers have been installed. This pilot is particularly cost-effective for SCE ratepayers since Metropolitan alone is

⁸ See <http://www.energy.ca.gov/2006publications/CEC-500-2006-118/CEC-500-2006-118.PDF>.

providing rebates to offset the controller procurement cost; SCE is providing outreach, marketing and administration services for the program.

DRA and TURN also complain the proposed pilot programs are not cost-effective because it is not clear that energy savings will accrue within the respective utility service areas. They seek to deny to SCE and SoCalGas any recognition of energy used by the State Water Project because some of the SWP's pump-load occurs within PG&E's service area, or because the quantity of energy supplied by SCE or San Diego Gas & Electric Company ("SDG&E") for SWP operations is relatively small or unknown.⁹

Metropolitan strongly disputes these assertions. The State Water Project average pump load is approximately 5,000 gigawatt-hours annually. Not surprisingly, it is the single largest customer of the California Independent System Operator ("CAISO"). Energy, like water, requires some means of conveyance to be delivered to customers. The State Water Project requires extensive use of transmission along the "backbone" of California's transmission system: Path 15 in PG&E's service area and Path 26 in SCE's service area. It should be obvious that SCE and SDG&E (and their respective rate-payers) are the primary beneficiaries of any alleviation of transmission congestion along the backbone in a north to south direction since their load centers are in the southern part of the state, while PG&E's is in the north. This is especially true in light of the CAISO's implementation of nodal energy pricing, including its implicit transmission congestion pricing component, less than one year away.

⁹ DRA Protest at p. 6; TURN Protest at pp. 4-5.

Metropolitan urges the Commission to broaden its notion of energy efficiency beyond simply displaced supply-side resources within the host utility service area, and to recognize the broader costs of bringing home the energy that can't be conserved.

B. The Pilot Programs Create a Methodology for Calculating Their Cost-Effectiveness, and Are Intended to Save Energy through Water Savings

As Metropolitan explained above, the cost-effectiveness of the pilot programs can be ascertained after HET or controller installation has occurred, either based upon estimated product life-cycle savings or actual meter reads, whichever method is found more efficient and appropriate during the EM&V period. The expanded installation of the HETs and controllers that will occur with joint funding by SCE, SoCalGas and Metropolitan are intended to save energy through water savings.

C. The Proposed Pilot Programs Will Feature New Technologies and Provide Outreach to Low Income Customers

Several of the proposed programs will offer direct installation of High Efficiency Toilets, which have only been available in the last few years. The PH controllers and Weather Based Irrigation Controllers featured in SCE's Express Water Efficiency Program are also relatively new products.

Finally, several of the pilot programs are directed at low-income customers. For example, SCE's Low-Income Direct Install High Efficiency Toilet Program is targeted at those Metropolitan member agencies that have large low-income and multi-family customer bases. SoCalGas' proposed program is intended for low income multi-family customer/owners. Metropolitan acknowledges that, unlike retail billing for electric service, many multi-family dwellings utilize a master meter for water service billing.

However, not all low income customers live in multi-family dwellings.¹⁰ Those low-income customers that live in multi-family dwellings shouldn't be excluded from receiving the benefit of new, highly efficient toilets made available through the proposed programs.

D. The Pilot Programs Will Stimulate New Partnerships

The proposed programs should accomplish an important objective: coordinated energy and water conservation programs offered by local utilities. TURN's Protest noted it doesn't make sense for utilities and water agencies to have separate programs focusing on energy and water efficiency, respectively.¹¹ Metropolitan agrees there are synergies to be captured in combining energy and water efficiency programs. These pilot programs will provide a valuable opportunity for the utilities and water agencies to work together to achieve that low-cost, but vitally important, objective.

E. The Proposed Programs Will Foster a Better Understanding of How Energy Is Used in the California Water System

Finally, the programs will increase understanding of the water/energy relationship in California. Indeed, this proceeding has already partially achieved this objective, as several pre-conceptions regarding California's major water conveyance systems were dispelled at last week's workshops. Metropolitan notes the filed Protests contained much confusion and erroneous data concerning the State Water Project and the Colorado River Aqueduct and their respective energy use and generation. Having achieved some success on macro water/energy issues, all stakeholders will benefit from the development of the information on micro water/energy savings achieved through pilot program

¹⁰ Consider senior citizens who own their own home but have limited income, or low-income residents living in single family dwellings in less expensive residential areas.

¹¹ TURN's Protest at p. 15.

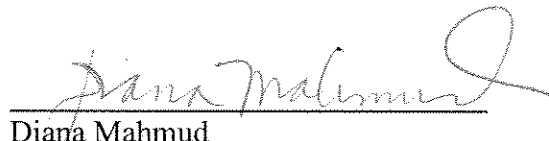
implementation, including the determination of water savings and associated energy requirements.

III. THE PILOT PROGRAMS SHOULD BE APPROVED AS FILED

Metropolitan strongly urges approval of the submitted pilot programs. As described above, they already meet the objectives identified in the AC/ALJ Ruling, and further modification is unnecessary. For the programs to serve their intended purpose, to determine whether embedded energy programs should be included in the 2009-2011 energy efficiency program cycle, they must be finalized soon so they are ready for implementation not later than July 1, 2007.

Dated: March 6, 2007

Respectfully submitted,



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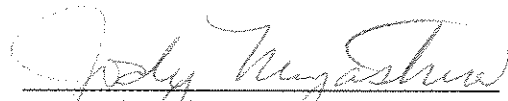
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the *Reply Comments of The Metropolitan Water District of Southern California Re Embedded Energy Efficiency Proposals* in the matter of A.07-01-024 to all known parties of record in this proceeding by delivering a copy via email or by mailing a copy properly addressed with first class postage prepaid.

Executed on March 6, 2007 at Los Angeles, California.



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